

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Rural Health Care Support Mechanism)	WC Docket No. 02-60
)	
)	
)	

COMMENTS OF VERIZON¹

Until the full impact of recent reforms can be assessed, no further expansion or modification of the Rural Health Care Program (“Program”) is warranted. The Commission has significantly reformed and expanded the reach of the Program in the past 17 months, extending the availability of satellite solutions, broadening the definition of “rural” under the Program, permitting discounts for Internet access services, establishing support to entirely rural areas, and expanding the scope of entities eligible to receive discounts.² Within this same time period, the universal service program administrator, USAC, has streamlined the application process and “significantly expanded its outreach efforts.” *2003 Order*, ¶¶ 13, 53. The Commission should

¹ The Verizon telephone companies (“Verizon”) are the affiliated local telephone companies of Verizon Communications Inc. These companies are listed in Attachment A.

² See *Rural Health Care Support Mechanism*, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 18 FCC Rcd 24546 (2003) (“*2003 Order*”); *Rural Health Care Support Mechanism*, Second Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 19 FCC Rcd 24613 (2004) (“*2004 Order*”).

also revisit its mobile rural health clinic support rules to ensure that Section 254's competitive neutrality requirement is satisfied.³

Internet access discount. It is premature to consider whether to revise or modify the Internet access discount after only one funding cycle, or make an informed determination as to sufficiency of the current discount level. *2004 Order*, ¶ 47. In November 2003, the Commission expanded the Program to provide a 25 percent discount on Internet access services beginning with Funding Year 2004, effective July 1, 2004.⁴ Preliminary reports suggest that the new discount has been utilized by eligible entities; USAC reports that in April 2004 there were “nearly 30% more [overall] applications than at the same point for FY2003.” USAC attributed that significant increase to “many applicants ... applying for Internet discounts.”⁵ This is at odds with the FCC's suggestion that “Internet access discounts have remained at low levels.” *2004 Order*, ¶ 47.

³ The Commission should not be motivated in this proceeding to seek to maximize the size of the fund; the \$400 million Program cap was never intended to become a funding target. *See, e.g., Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776, 9141 ¶ 705 (1997) (“*First Report and Order*”) (concluding that “no more than \$400 million annually should ensure sufficient [funding], because it is based on the maximum amount of service that we have found necessary and on generous estimates of the number of potentially eligible rural health care providers”); *see also* Comments of Verizon, WC Docket No. 02-60, at 2-4 (filed July 1, 2002); Joint Reply Comments of SBC Communications Inc. and BellSouth Corporation, WC Docket No. 02-60, at 2 (filed July 29, 2002) (“While it may have been reasonable for the Commission to base its initial funding cap for the rural health care program on unrealistic assumptions, it would be patently unreasonable for the Commission to transform this admittedly generous cap into a funding target. The Commission can no longer justify its decision on a lack of data or real world experience administering the rural health care program”).

⁴ *2003 Order*, ¶ 27; USAC Rural Health Care Outreach, Conference Call Minutes (Dec. 11, 2003) available at <http://www.rhc.universalservice.org/overview/schedules/121103min.asp>.

⁵ USAC Rural Health Care Outreach, Conference Call Minutes (Apr. 8, 2004) available at <http://www.rhc.universalservice.org/overview/schedules/2004/040804min.asp>; USAC Rural Health Care Outreach, Conference Call Minutes (May 13, 2004) available at <http://www.rhc.universalservice.org/overview/schedules/2004/051304min.asp>.

Calibrating the appropriate Internet discount level is a delicate balancing effort, and the FCC determined only two years ago that the 25 percent discount was appropriate to ensure that providers “choose a level of service appropriate to their needs” and to “deter wasteful expenditures.” *2003 Order*, ¶ 27. In addition, any desire to increase Program participation through greater discounts must be balanced against heightened risks of waste, fraud and abuse; the need for vigilance with respect to the total size of the USF; and the overall universal service obligation imposed on consumers.⁶

Infrastructure investment. Similarly, there is no basis to address telecommunications infrastructure investment within this Program. *2004 Order*, ¶¶ 52-3. There is no evidence that carriers’ existing network infrastructure in any way limits the availability of advanced services to eligible health care providers.⁷ As of June 2004, 99 percent of the country’s population lives in the 94 percent of zip codes where a provider reports having at least one high-speed service subscriber. *Id.* Nor is the Program an appropriate, economically reasonable, or effective mechanism to promote network deployment; other programs are available to address any inadequacies in rural network infrastructure.⁸

⁶ See *2003 Order, Separate Statement of Commissioner Abernathy*. (“[W]e must balance the tremendous benefits of telemedicine against the significant burdens that are being placed on consumers to fund our various universal service support mechanisms”). One funding year is insufficient time to revisit these policy decisions, outreach and educational efforts must be provided adequate time to respond to the FCC’s new discount opportunities.

⁷ See *High-Speed Services for Internet Access*, Federal Communications Commission, Wireline Competition Bureau, at 4 (rel. Dec. 22, 2004) *available at* http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/hspd1204.pdf.

⁸ See *Comments of Avera Health*, WC Docket No. 02-60, at 2-3 (filed May 30, 2002) (“Rural Utility Services (RUS) grants will provide a better incentive for rural telcos to deploy broadband”).

Mobile health clinics technological neutrality. Consistent with Section 254 of the Act, the Commission must ensure that rural mobile health clinics receive telecommunications services at rates that are reasonably comparable to rates charged for similar services in urban areas. Such clinics must select the most cost-effective Internet access and telecommunications service available, regardless of technology.⁹ Doing so requires revisions to current rules, which provide that additional Program discount opportunities for mobile health clinics are limited to satellite solutions. *See* 47 C.F.R. § 54.609(d). In particular, the Commission should, as proposed, allow “rural health care providers to use services other than satellite.” *2004 Order*, ¶ 50.

Plainly, there is no technological reason to limit discounts for mobile rural health care clinics to satellite connections. Even at the time it expanded funding for satellite solutions, the FCC found that “rural health care providers [can] use a satellite or other mobile telecommunications service.”¹⁰ In fact, for many applications other technologies may be significantly more affordable than satellite connections. *2004 Order*, ¶ 30. Extending funding to other technologies will not only bring the rules into compliance with Section 254, but it will expand service availability while minimizing demand for Program funds.¹¹

⁹ *First Report and Order*, ¶ 47. (“[C]ompetitive neutrality means that universal service support mechanisms and rules neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another”); *see also* 47 C.F.R. § 54.615(c)(7) (defining the most cost-effective method as “the method that costs the least after consideration of features, quality of transmission, reliability, and other factors that the health care provider deems relevant”).

¹⁰ *2004 Order*, ¶ 27; *see* Comments of Verizon, WC Docket No. 02-60, at 9 (filed Feb. 23, 2004) (stating that “terrestrial wireless, fixed wireless, Wi-Fi, Wi-Max and other wireless platforms may provide equally cost-efficient means of service”).

¹¹ The Commission should reject the American Telemedicine Association’s (“ATA’s”) March 7, 2005 petition for reconsideration of the *2004 Order*. In that Order, the Commission adopted a new definition of “rural,” and provided a three-year transition period for formerly

For the foregoing reasons, the Commission should modify its mobile rural health clinic rules to satisfy the Act's competitive neutrality obligation, but it should refrain from other modifications to the Program until additional experience is gained under the new rules.

Respectfully submitted,

By: /s/ Jeffrey S. Linder

Michael E. Glover
Edward Shakin
VERIZON
1515 North Courthouse Road
Suite 500
Arlington, VA 22201-2909
(703) 351-3099

Jeffrey S. Linder
Bradley K. Gillen
WILEY REIN & FIELDING LLP
1776 K Street, N.W.
Washington, D.C. 20006
(202) 719-7000

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Attorneys for the
Verizon telephone companies

eligible entities to maintain their eligibility under the Program. *2004 Order*, ¶ 23. Nevertheless, ATA now seeks to grandfather “for an indefinite period” those entities that were eligible to receive support under the former definition of “rural,” but fail to satisfy the new definition adopted in the *2004 Order*. ATA’s requested relief would violate the Act, because Section 254(h)(1)(A) provides that universal service funding should be available only for rural health care providers. 47 U.S.C. § 254(h)(1)(A); *see Verizon 2004 Comments*, at 6-7. If an entity is no longer rural, it can no longer by law receive support under the Program. Further, there is no evidence that formerly eligible entities would even continue to be classified as “rural” under the Program’s old definition due to demographic changes and population shifts in their communities. *Id.*

ATTACHMENT A

THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. These are:

Contel of the South, Inc. d/b/a Verizon Mid-States
GTE Southwest Incorporated d/b/a Verizon Southwest
The Micronesian Telecommunications Corporation
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Hawaii Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.